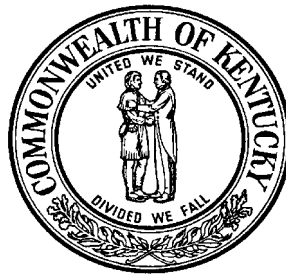


**REPORT OF THE AUDIT OF THE
MCLEAN COUNTY
SHERIFF**

**For The Period March 12, 2001
Through December 31, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MCLEAN COUNTY SHERIFF

**For the Period March 12, 2001
Through December 31, 2001**

The Auditor of Public Accounts has completed the McLean County Sheriff's audit for the period of March 12, 2001 through December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Revenue for the period of March 12, 2001 through December 31, 2001 was \$156,485. Disbursements for the period were \$118,031 leaving \$38,454 of excess fees that were paid to the fiscal court.

Report Comment:

- The Sheriff Should Have Required The Depository Institution To Pledge Additional Securities Of \$287,209 As Collateral To Protect Deposits

Narcotics Fund:

The Sheriff maintained a narcotics fund. The narcotics fund had a beginning balance of \$2,356 on March 12, 2001. Receipts consisted of \$7,090 and disbursements were \$2,725 for the period of March 12, 2001 through December 31, 2001. The balance of the narcotics fund as of December 31, 2001 was \$6,721.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry B. Whitaker, McLean County Judge/Executive

Honorable Judy Stratton, McLean County Sheriff

Members of the McLean County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of McLean County, Kentucky, for the period March 12, 2001 through December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the period March 12, 2001 through December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry B. Whitaker, County Judge/Executive
Honorable Judy Stratton, McLean County Sheriff
Members of the McLean County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Have Required The Depository Institution To Pledge Additional Securities Of \$287,809 As Collateral To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 23, 2002

MCLEAN COUNTY
JUDY STRATTON, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

March 12, 2001 Through December 31, 2001

Receipts

State Grants		\$	8,276
State Fees For Services:			
Finance and Administration Cabinet			1,930
Circuit Court Clerk:			
Sheriff Security Service	\$	5,546	
Fines and Fees Collected		630	
Court Ordered Payments		185	6,361
Fiscal Court			250
County Clerk - Delinquent Taxes			647
Commission On Taxes Collected			76,451
Fees Collected For Services:			
Auto Inspections	\$	3,025	
Serving Papers		8,120	
Carrying Concealed Deadly Weapon Permits		1,890	
Tax Fees		937	
Advertising Fees		3,090	
Sheriff's 10% Add on Fees		13,068	30,130
Other:			
Miscellaneous	\$	1,564	
Transfer From Prior Sheriff		6,731	8,295
Interest Earned			132
Borrowed Money:			
State Advancement			24,013
Total Receipts		\$	156,485

MCLEAN COUNTY
 JUDY STRATTON, COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 March 12, 2001 Through December 31, 2001
 (Continued)

Disbursements

Operating Disbursements-

Personnel Services-

Deputies' Salaries	\$	17,331
Salary Supplement - State Grant		8,276
Other Salaries		1,554

Contracted Services-

Advertising		1,339
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Materials and Supplies-

Office Materials and Supplies		2,647
Uniforms		920
Cell Phones		1,746
Law Enforcement Supplies		1,953
Computer		306

Other Charges-

Conventions and Travel		630
Dues		300
Postage		2,856
Carrying Concealed Deadly Weapon Permits		1,445
Bond		13
HB 577 Fees For Fiscal Court		3,010
Miscellaneous		1,328

Debt Service:

State Advancement		<u>29,463</u>
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Total Disbursements		<u>\$</u>	<u>75,117</u>
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Net Receipts		<u>\$</u>	<u>81,368</u>
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Less:

Sheriff's Statutory Maximum	\$	42,184	
Sheriff's Training Incentive		<u>730</u>	<u>42,914</u>

Excess Fees Due County		<u>\$</u>	<u>38,454</u>
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Payments to County Treasurer - March 8, 2002	\$	38,154	
July 9, 2002		<u>300</u>	<u>38,454</u>

Balance Due at Completion of Audit		<u><u>\$</u></u>	<u><u>0</u></u>
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The accompanying notes are an integral part of the financial statement.

MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENT

March 12, 2001 Through December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual for the period of March 12, 2001 through December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the period March 12 to June 30, and 6.41 percent for the last six months of the year.

MCLEAN COUNTY
 NOTES TO FINANCIAL STATEMENT
 March 12, 2001 Through December 31, 2001
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 5, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$287,809 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 5, 2001.

	<u>Bank Balance</u>
FDIC Insurance	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	1,074,320
Uncollateralized and uninsured	<u>287,809</u>
Total	<u><u>\$ 1,462,129</u></u>

Note 4. Narcotics Fund

The Sheriff maintained a narcotics fund. The narcotics fund had a beginning balance of \$2,356 on March 12, 2001. Receipts consisted of \$7,090 and disbursements were \$2,725 for the period of March 12, 2001 through December 31, 2001. The balance of the narcotics fund as of December 31, 2001 was \$6,721.

COMMENT AND RECOMMENDATION

MCLEAN COUNTY
JUDY STRATTON, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Period March 12, 2001 Through December 31, 2001

The Sheriff Should Have Required The Depository Institution To Pledge Additional Securities Of \$287,809 As Collateral To Protect Deposits

On December 5, 2001, \$287,809 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Sheriff's Response:

The Bookkeeper was unaware of pledges being insufficient. The agreement copy we had from the bank led us to believe we were covered for these days. We will check coverage for these months more closely in the future.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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Honorable Judy Stratton, McLean County Sheriff

Members of the McLean County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the McLean County Sheriff for the period March 12, 2001 through December 31, 2001, and have issued our report thereon dated October 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the McLean County Sheriff's financial statement for the period March 12, 2001 through December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards, and which is described in the accompanying comment and recommendation.

- The Sheriff Should Have Required The Depository Institution To Pledge Additional Securities Of \$287,209 As Collateral To Protect Deposits



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McLean County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 23, 2002

